



Annual Meeting

The Annual General Meeting of the Company will be held on November 13, 1969 at Winchester House, London Wall, London, England at 12:00 o'clock noon. The notice of meeting, proxy and information circular are enclosed.

Painting of the Orient Explorer, an offshore rig, drilling on a Syracuse concession in the North Sea off the coast of Holland.

Artist: Boyd Speer

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SYRACUSE OILS LIMITED

annual report 1969

HIGHLIGHTS

FINANCIAL

	1969	1968	% Change
Gross income after royalty	\$ 598,557	277,045	+ 116
Cash flow	\$ 158,151	35,221	+ 349
Net profit (loss)	\$ 30,116	(16,475)	—
Working capital (deficit)	\$ 306,792	(448,168)	—

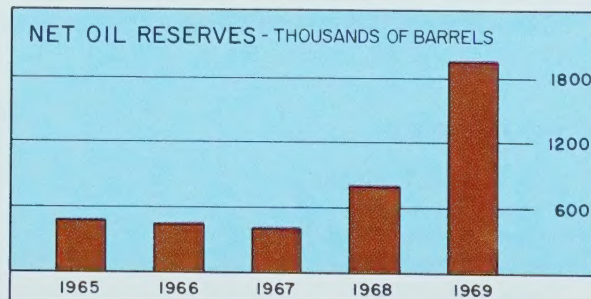
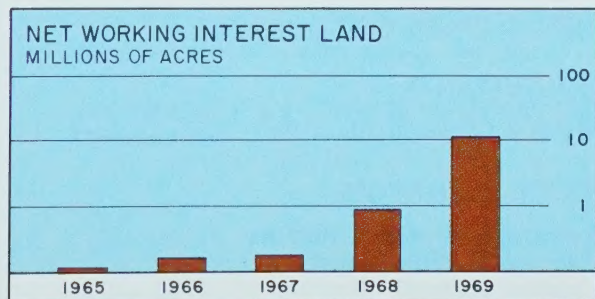
OPERATING

Gas production net after royalty (Mcf/day)	10,947	2,375	+ 361
Oil production, net after royalty (bbls/day)	146	152	— 4
Gas reserves, net after royalty (MMcf)	59,500	48,900	+ 22
Oil reserves, net after royalty (bbls)	1,934,000	777,800	+ 150
*Gross working interest land (acres)	66,324,678	7,855,042	+ 744
*Net working interest land (acres)	10,217,206	917,031	+1014

EXPLORATION

Drilling and land acquisition expenditures	\$ 716,466	544,658	+ 32
Gross wells drilled	23	19	+ 21
Gross oil and gas wells completed	13	9	+ 44
Net wells drilled	9.63	11.12	— 13
Net oil and gas wells completed	6.31	7.43	— 15

* Includes Company's interest in acreage owned by affiliated companies.



SYRACUSE OILS LIMITED and Subsidiary Companies

DIRECTORS

Gerald Gaetz
Business Executive, Vancouver, British Columbia
J. Richard Harris
President, Calgary, Alberta
Geoffrey Kohn
Financier, Birmingham, England
Angus A. Mackenzie
Oil Executive, Sunningdale, Berks., England
James S. Palmer
Barrister and Solicitor, Calgary, Alberta
Arthur Pollard
Refinery and Pipeline Executive,
Les Marronniers, Jersey, C.I.
Thatcher L. Townsend, Jr.
Banker, Winston-Salem, North Carolina

WHOLLY-OWNED COMPANIES

Vanlorne Oils Limited
Mystery Oil Limited
Dundee Oils Ltd.
Northern Alberta Pipelines Limited

AFFILIATED COMPANIES

Syracuse Oils Norge A/S (25%)
Woodford Oil & Gas Ltd. (9%)
Walvis Bay Oil and Gas Ltd. (9%)
H.M. Pan Ocean-Syracuse Oil South Africa
(Proprietary) Limited (17%)
Oceanica Petroli Italiana S.p.A. (10%)

HEAD OFFICE

635 Bentall Building
Calgary 2, Alberta
Telephone 403/264-1195
Cable "Syracuse"
Telex 038-24692

OFFICERS AND KEY PERSONNEL

J. Richard Harris, B.Sc., M.A., P.Geol.
President and General Manager
Arthur Pollard
Vice-President
James S. Palmer, B.A., LL.B.
Secretary and Treasurer
C. Rod De Luca, B.Sc., M.B.A.
Manager of Operations
William R. Keir, B.Sc., P.Eng.
Chief Engineer
Ed Miller, B.Sc., P.Geol.
Chief Geologist (Domestic)
Fred J. Wellhauser, B.Sc., M.Sc.
Chief Geologist (International)

REGISTRARS AND TRANSFER AGENTS

Guaranty Trust Company of Canada, Calgary,
Vancouver
Josolyne, Miles & Cassleton Elliott,
London, England

AUDITORS

Campbell, Sharp, Nash & Field, Calgary

SOLICITORS

Burnet, Duckworth, Palmer, Tomblin,
O'Donoghue, Beattie & Haigh, Calgary

BANKERS

The Royal Bank of Canada, Calgary

CONSULTANTS

McDaniel Consultants (1965) Ltd., Calgary

STOCK EXCHANGES

Vancouver, British Columbia
Calgary, Alberta
London, England [Section 163 (I)E]

DIRECTORS' REPORT TO THE SHAREHOLDERS

The past year has been one of excellent progress in most areas of the Company's operations.

Gross income after royalties increased from \$277,000 to \$599,000. This was due mainly to a gain of about \$275,000 in gas production revenue from the Lac La Biche field in Alberta. Cash flow increased from \$35,000 to \$158,000. Earnings were \$30,000 compared to a loss last year of \$16,000.

In January, the Company's financial position was strengthened by the sale of \$1,750,000 in 7½% subordinated convertible debentures. These debentures were privately placed with a number of leading Canadian and American financial institutions. As a result of this debenture issue, and the increased cash flow, the working capital position at year-end improved by \$755,000.

The principal change in the Company's affairs during the year was its establishment as an important land holder with interests in petroleum areas throughout the world. Land holdings increased to about 66 million gross acres, equivalent to more than 10 million net acres. Principal acquisitions included holdings in the Adriatic Sea, the Maldives Islands, South and South West Africa, the Canadian Arctic, and the East Coast of Canada. Following the close of the fiscal year, the Company acquired a 12.5 percent interest in about 28,000,000 acres off-shore Indonesia not included in the year-end totals. The approximate location of these holdings is shown on the world map on the next page and further details are given in the body of this Report. During the coming year emphasis will be placed on exploring these lands in combination with partners and in acquiring further lands in other prospective geological basins. In conjunction with land acquisition last year, an active exploration and development program was undertaken. Twenty-three gross wells were drilled of which 13, all in Alberta, were completed as oil or gas wells. The most significant were gas wells at Calling Lake and Craigend and oil wells in the Hamilton Lake and Clive areas. In South Africa drilling continues on the concession near Port Elizabeth. In the Dutch North Sea, a well is being drilled by Shell-Esso on 40,000 acres in which Syracuse has a 6.5 percent interest. This well, which is free of cost to the Company, encountered a potentially productive gas zone at about 7,500 feet. The rig is currently drilling ahead to the projected total depth of about 10,500 feet.

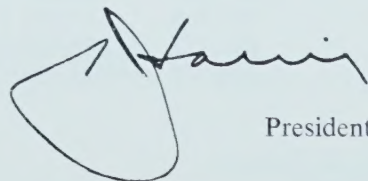
Over the past year there has been a broader public following of the Company's affairs and there are now more than twice as many shareholders. For this reason, formal application will shortly be made to the Toronto Stock Exchange for a listing of Syracuse common shares. Toronto is the largest stock exchange in Canada.

The Company's rapid growth has brought administrative expansion. Four additional professional staff appointments have been made, including that of a petroleum geologist for the Company's recently opened Johannesburg office. In Calgary, the Company's head office recently moved to larger quarters.

It is a pleasure for the Board of Directors to express their appreciation to the employees for their enthusiastic work during the year.

ON BEHALF OF THE BOARD OF DIRECTORS,

October 17, 1969



President

MAP OF WORLD LAND HOLDINGS



REVIEW OF OPERATIONS

PRODUCTION AND SALES

OIL PROPERTIES

Net oil sales for 1969 after deduction of royalties were 146 barrels per day compared to 152 barrels per day the previous year. This small decrease resulted mainly from the Company's program of the last 18 months of abandoning oil leases which have been operating at marginal profits. The addition of new oil reserves discovered in late 1968 and early 1969 began to contribute to the Company's production runs during the fourth quarter of the 1969 fiscal year, when net oil production after royalties reached an average of 183 barrels per day.

At Hamilton Lake the Company continued its secondary oil recovery program. This program was approved by the Alberta Oil and Gas Conservation Board on October 9, 1968, and water injection began shortly thereafter. Five oil wells have now been completed on the property and an additional eight are planned.

In total, the Company owns an average 57 percent working interest in 39 oil wells, which

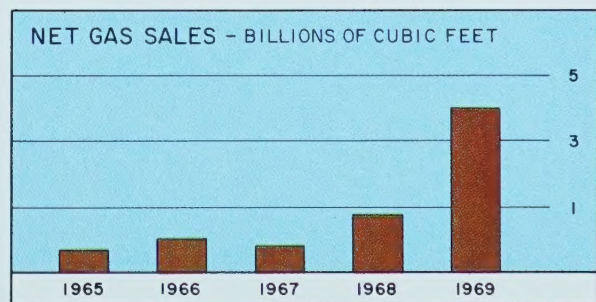
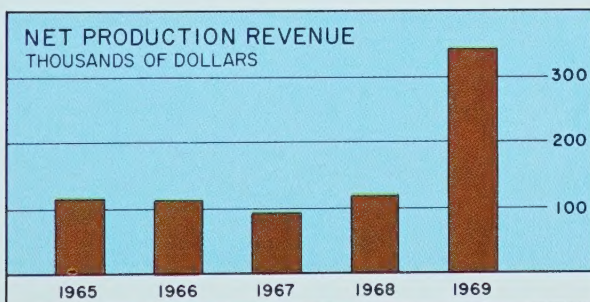
is equivalent to a 100 percent working interest in about 22 oil wells.

GAS PROPERTIES

Net gas sales after royalties continued to increase in 1969 and reached a record of 10,947 Mcf/day compared to 2,375 Mcf/day in 1968.

This increase in gas production reflects the substantial volumes of gas being delivered from the Company's reserves in the Lac La Biche and Ashmont areas of Alberta. The Lac La Biche field has been on stream since March 1968 and has performed as predicted by the Company's engineers. The Ashmont field, which was first connected in December 1968, produced very well during the 1968-69 winter heating season and should continue to add to the Company's gas production revenue.

In total, the Company owns an average 58 percent working interest in 46 gas wells, which is equivalent to a 100 percent working interest in about 27 gas wells.





LAND HOLDINGS AT MAY 31, 1969

Country		Area
Canada		Alberta
		Saskatchewan
		Arctic Islands
		Foxe Basin
		Hudson Bay
		East Coast

* Does not include Indonesian land and possessions acquired after May 31, 1969.



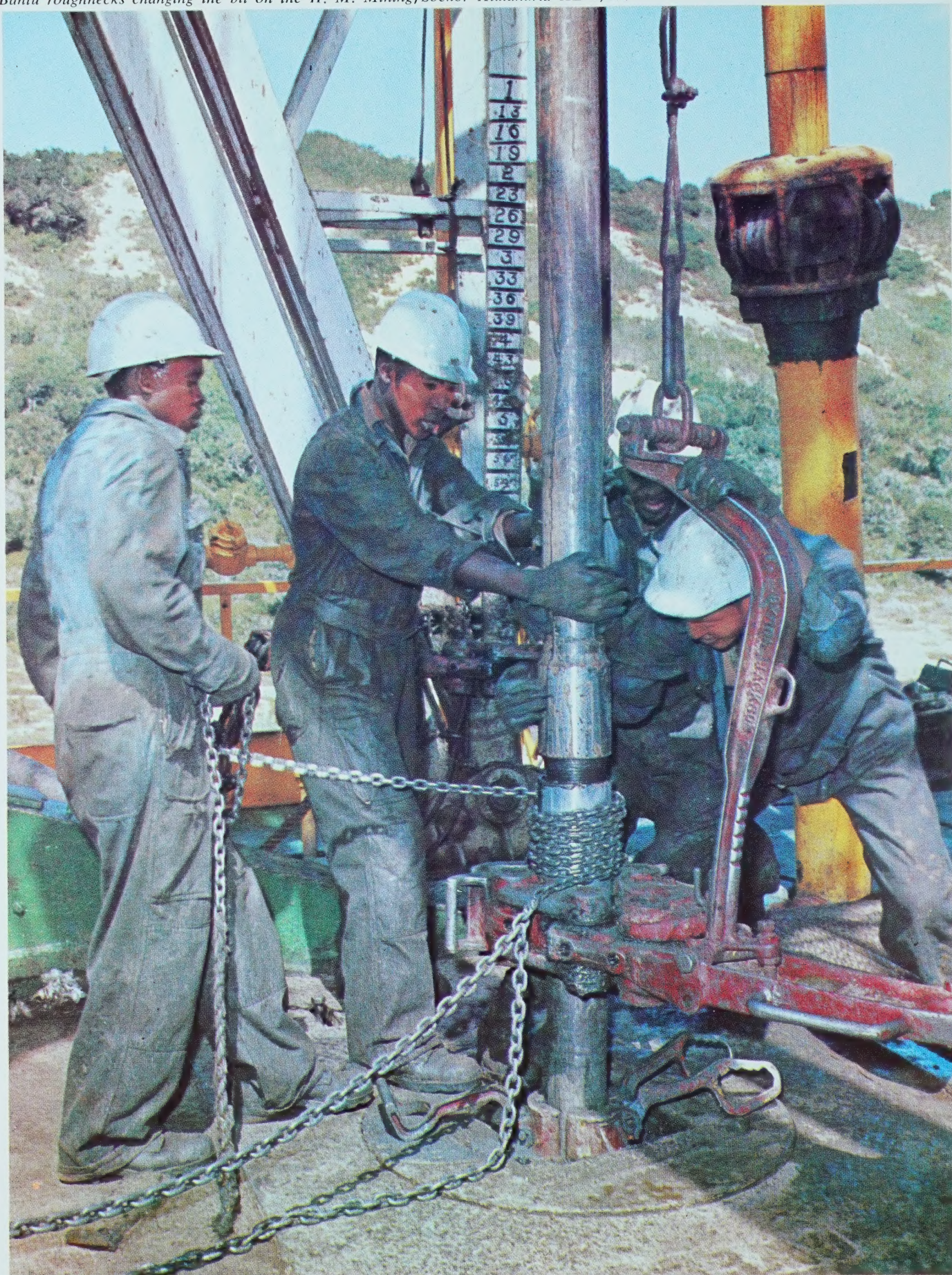
ON OF CURRENT
HOLDINGS

Area	Working Interest Acres Gross	Net
Alberta	491,446	182,839
Saskatchewan	640	640
Arctic Islands	1,377,258	500,827
Foxe Basin	427,608	149,662
Hudson Bay	693,712	277,484
East Coast	1,388,515	493,483

Country	Area	Working Interest Acres Gross	Net
Italy	Adriatic	35,150	3,515
Maldiv Islands	Indian Ocean	25,600,000	1,280,000
Netherlands	North Sea	40,064	5,876
Norway	North Sea	276,685	69,171
South Africa	Port Elizabeth	6,890,240	516,768
	North Karroo	25,964,800	6,491,200
	Offshore	2,624,000	223,040
South West Africa	Offshore	514,560	22,701
Total Working Interest Acres		66,324,678*	10,217,206*

in and portion of Adriatic holdings
1969.

Bantu roughnecks changing the bit on the H. M. Mining/Soekor Alixandria AL 1/69.



EXPLORATION AND DEVELOPMENT

During the 1969 fiscal year the Company participated in an extensive exploration and development drilling program. Twenty-three wells were drilled, in which the Company owned an average 42 percent interest. Of the 23 wells, 4 were completed as oil wells and 9 as gas wells. Wells were drilled in the Normandville, Rainbow, Senex Creek, Calling Lake, Clive, Lac La Biche, Craigend and Hamilton Lake areas of Alberta, the Verlo area of Saskatchewan, the Virden area of Manitoba, and in South Africa. The most valuable of the reserves established by this program were the gas reserves proven in the Calling Lake and Craigend areas, and the oil reserves developed in the Hamilton Lake and Clive areas. During fiscal 1970 the Company will probably drill additional wells in some of these areas.

In fiscal 1969 the Company completed all of its marine seismic programs in the North Sea off both Holland and Norway. The first exploratory wells in these areas were spudded shortly after the close of the fiscal year. The first well offshore Norway was abandoned without a commercial show of oil or gas on August 19, 1969.

The Company's first well in the Dutch North Sea was spudded on June 29, 1969. N.V. Nederlandse Aardolie Maatschappij (NAM), a joint Dutch company owned by Shell and Esso, are paying the entire cost of drilling this first well to earn a 51 percent interest in the 40,000 acres contained in Block Q-11. The well is being drilled in about 55 feet of water with the jack-up rig "Orient Explorer" at a location about 22 miles west of Amsterdam and about the same distance

southwest of Bergen, a large gas field onshore Holland. The Company, in accordance with the farmout agreement, has been reimbursed its pre-drilling expenses and will own a 6.5 percent interest free of cost in this first well and a 6.5 percent joint-account working interest in the remaining portion of the 40,000 acres contained in Block Q-11. NAM announced on July 30th that indications of natural gas in the NAM-Syracuse Q/11-1 had been encountered at about 7,500 feet. NAM have indicated that they will run intermediate casing through the potentially productive zone and will drill the well to its projected total depth of about 10,500 feet prior to conducting further tests of the shallower zone to see if the gas is present in commercial quantities.

During the fourth quarter of the 1969 fiscal year, the Company commenced its marine seismic program on Block IV(b) on Liberia's Continental Shelf. The results of this program should be known within a few weeks.

In the Atmore area of Alberta two development gas wells were completed on lands in which the Company holds a 1.0 percent royalty. The operator of these wells is reported to be negotiating for the sale of the gas. Six exploratory wells were drilled on the Company's royalty holdings in Alberta. No commercial quantities of oil or gas were reported to have been discovered by these wells, which were drilled at no cost to the Company.

The major discoveries on the North Slope of Alaska and the extensive exploratory program



underway in the Canadian Arctic have again turned the oil and gas industry's attention to the northern regions of Alberta where a widespread winter drilling program is expected. The Company believes that several of its royalty blocks may be included in these programs.

Work continued on the Company's mineral properties. Under the terms of an option-to-purchase agreement, a \$15,000 program was con-

ducted by another company on Syracuse's 98 uranium claims in the Beaverlodge area of North Saskatchewan. After completing the work the other company did not exercise the option, which has now expired. Further assessment work was done on the Hottah Lake uranium shows and on the Bode Lake claims in the Northwest Territories. Neither of these properties indicated commercial quantities of ore and have been dropped.

LAND HOLDINGS

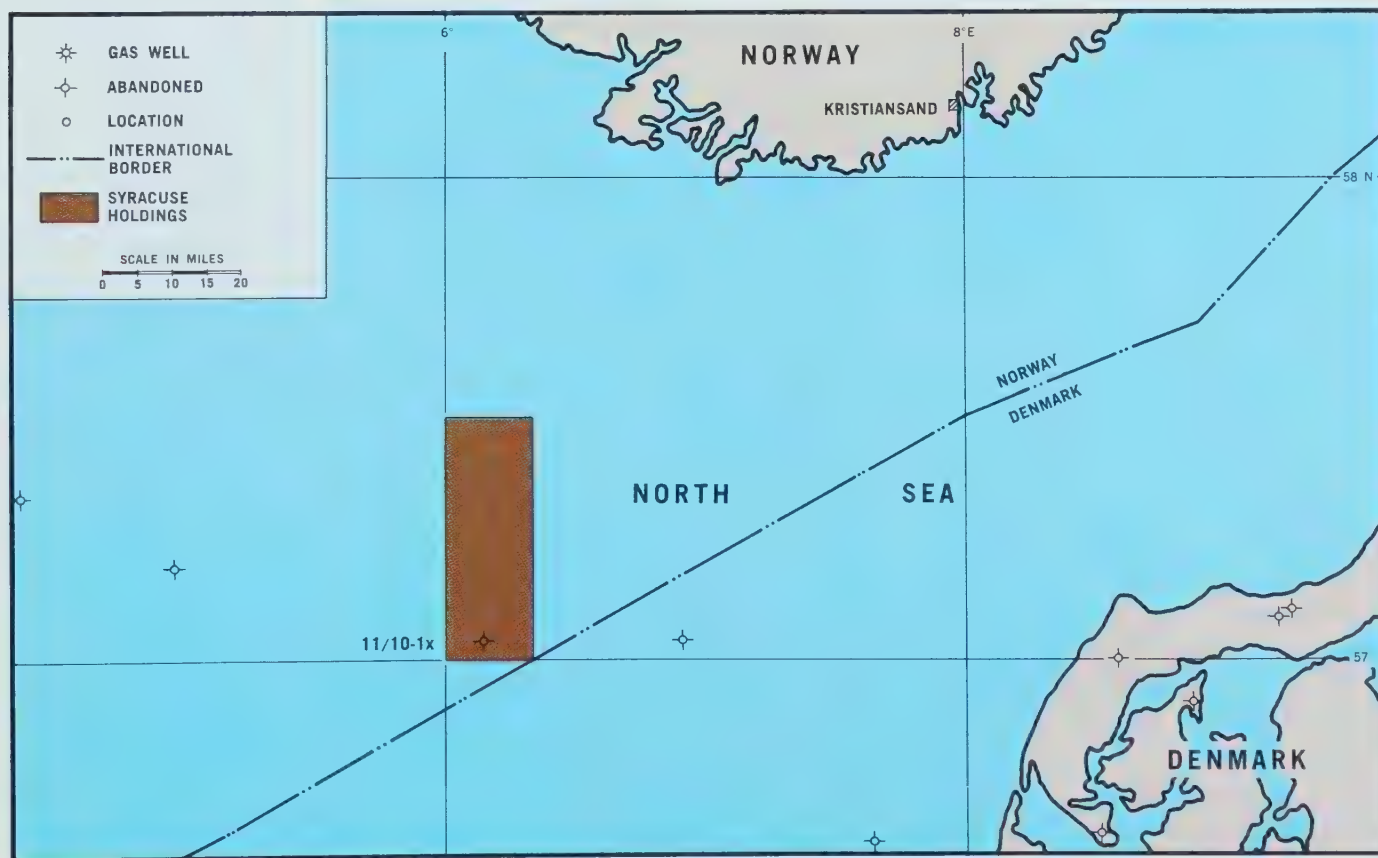
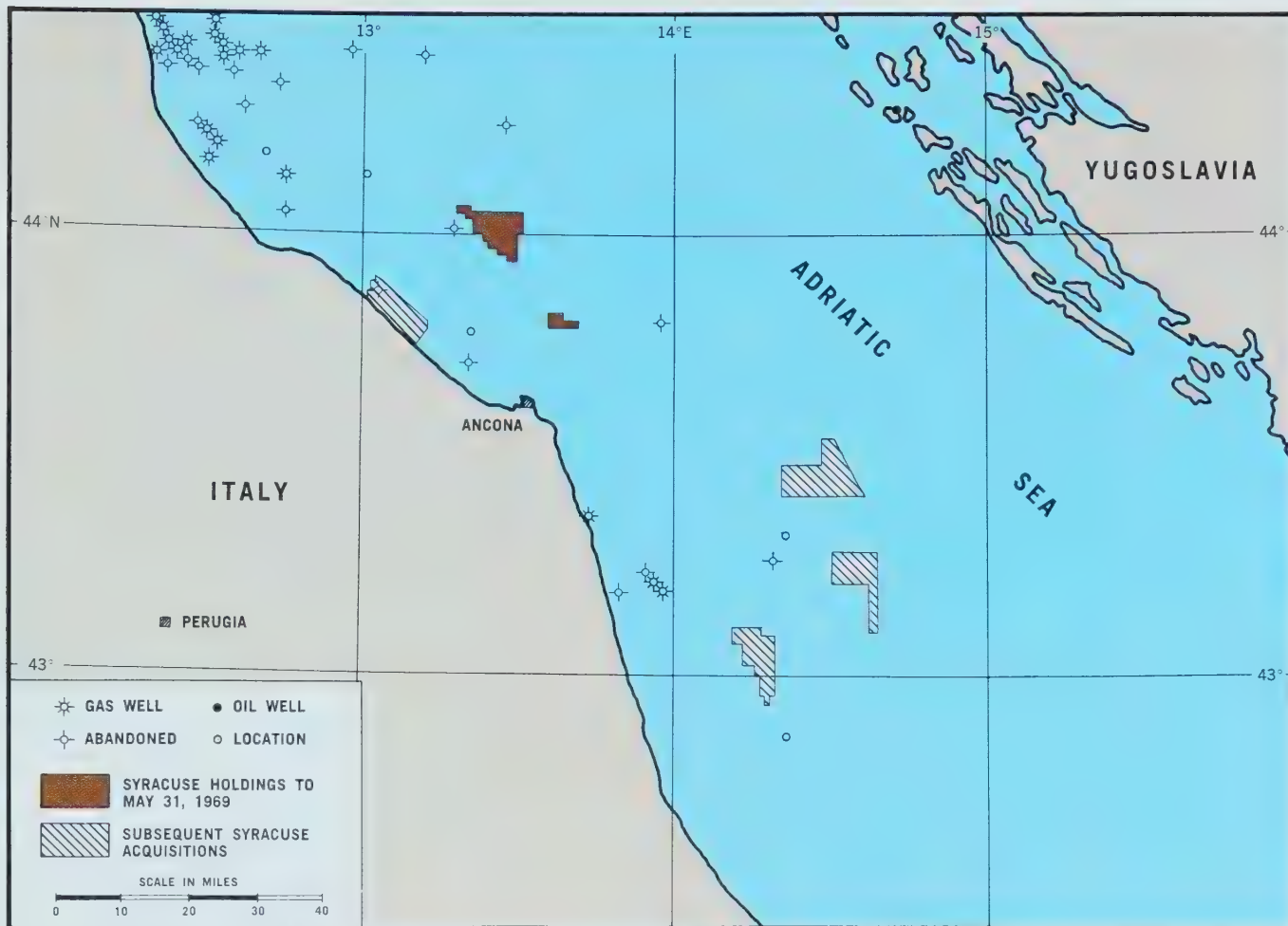
WORKING INTEREST HOLDINGS

The Company continued its policy of acquiring interests in prospective oil and gas lands in geological basins around the world. At the close of the 1969 fiscal year the Company owned an average 15 percent working interest in 66,324,678 acres equivalent to a 100 percent working interest in 10,217,206 acres. This compares to an average 12 percent working interest in 7,855,042 acres equivalent to a 100 percent working interest in 917,031 acres last year. These totals include the Company's interests in acreage

owned by affiliates, and represent an increase of over ten times the number of net acres held by the Company one year earlier.

The principal increases arose from the acquisition of interests in lands located both on and offshore South Africa, offshore South West Africa, in the Italian sector of the Adriatic Sea, and an interest in a permit covering the Republic of the Maldive Islands offshore from the southwestern coast of India. Additionally, the Company acquired a 50 percent interest in about





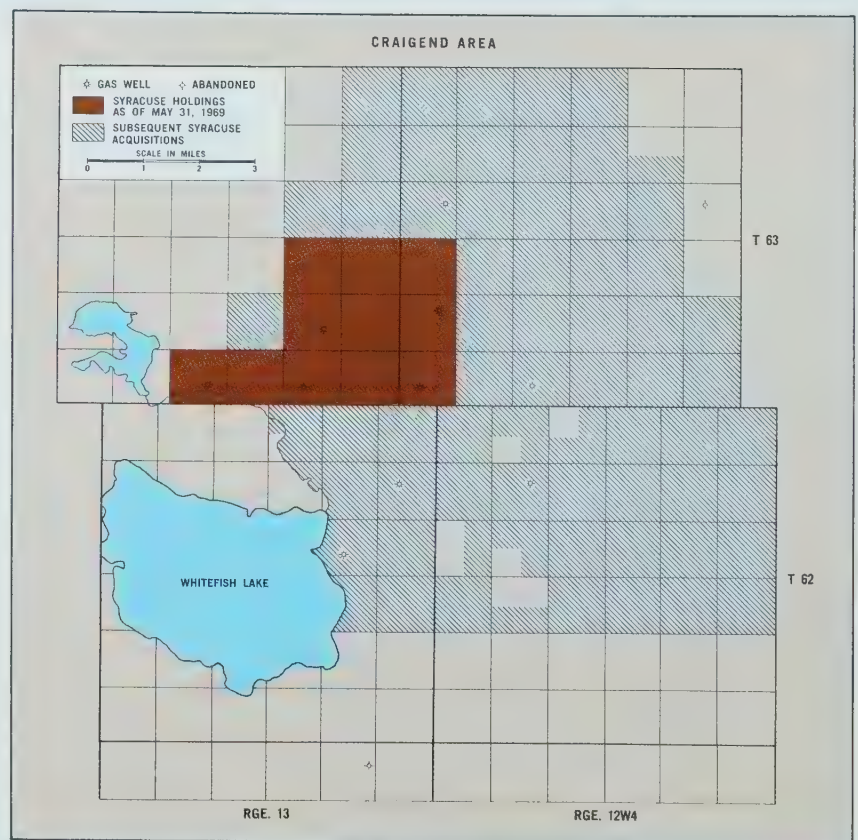


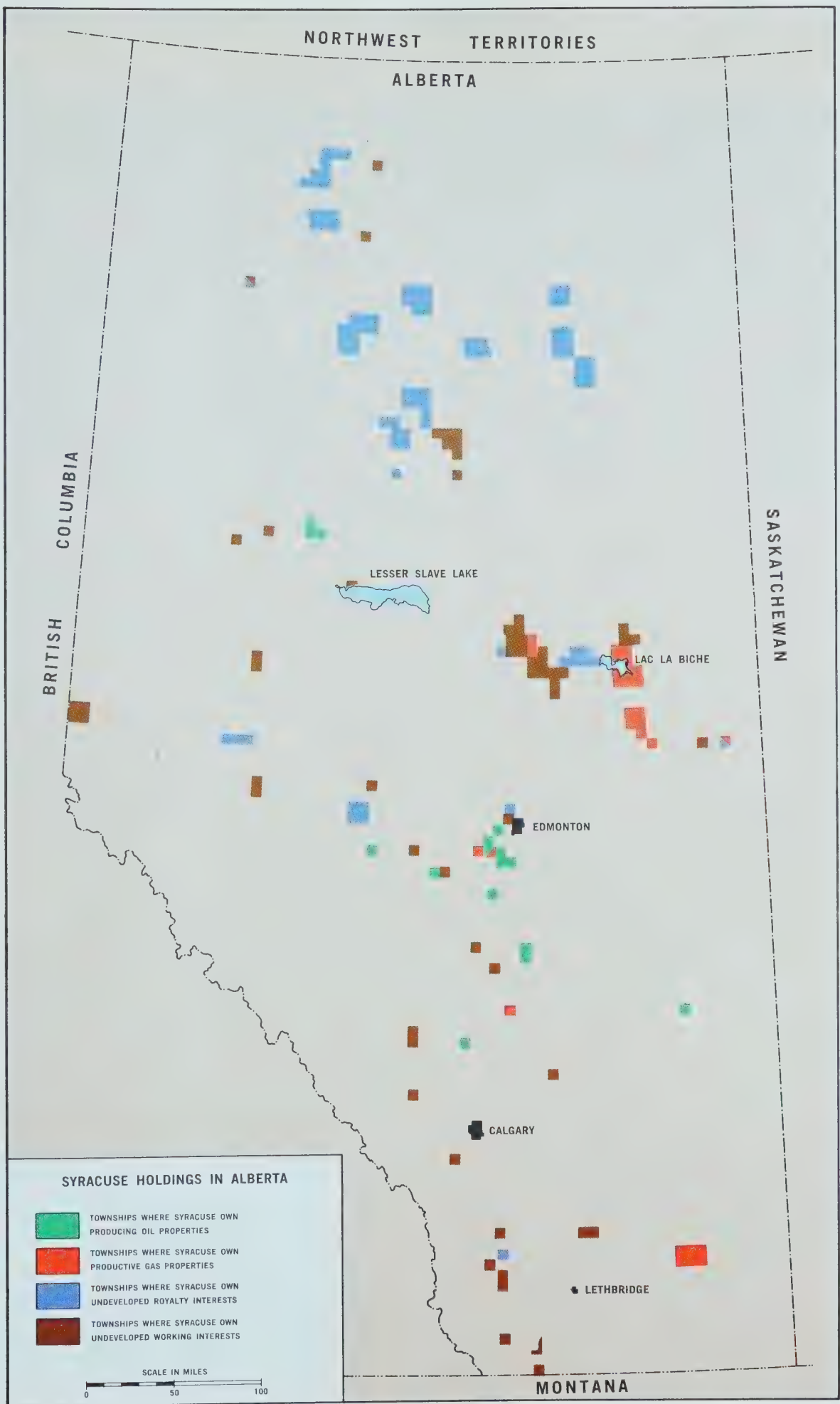
8,000 acres in the Craigend area of Alberta. More details of the Company's exploratory acreage are shown on the world map opposite Page 4.

An important addition to the land inventory occurred shortly after the close of the fiscal year when the Company announced the acquisition of a 12½ percent interest in 28,000,000 acres offshore from the Republic of Indonesia. Exploration of this Indonesian acreage will commence in October 1969.

ROYALTY INTEREST HOLDINGS

At the close of the 1969 fiscal year the Company owned an average gross overriding royalty of about 1.58 percent in 1,365,547 acres compared to an average gross overriding royalty of about 1.58 percent in 1,415,467 acres in 1968. Most of these valuable royalty holdings are in acreage located in northern Alberta where the Company anticipates another active winter drilling program. These royalties provide the Company with exposure to the discovery of oil and gas reserves at no cost to itself.



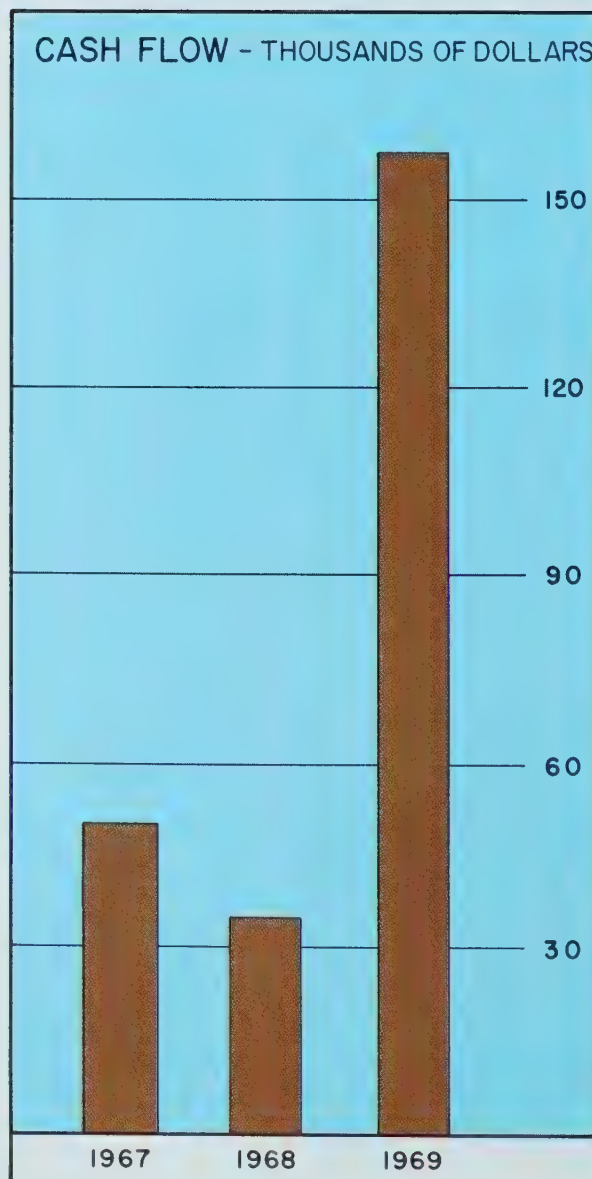


FINANCIAL REVIEW

The Company's gross income after paying all royalties increased to \$598,557 compared to \$277,045 in 1968. This increase is primarily due to a gain of \$285,736 in operating revenue from sales of gas. Cash flow increased to \$158,151 from \$35,221 in 1968 and depreciation and amortization increased by \$76,339 as a result of increased investment and production. Net income was \$30,116 compared to a loss of \$16,475 in 1968. These net income and cash flow figures are lower than those reported in the unaudited results given in the May 31, 1969 Interim Report mainly due to the accrual in the audited accounts of debenture interest previously written off in the first quarter of the 1970 fiscal year.

An important corporate development occurred on January 24, 1969 with the formal closing of a private sale of \$1,750,000 7½% 20-year subordinated convertible debentures. These debentures were placed with an investment group led by Wachovia International Investment Corporation, a wholly-owned subsidiary of Wachovia Bank and Trust Company, N.A. of Winston-Salem, North Carolina. The funds derived from these debentures, which were placed with leading Canadian and American financial institutions, have been used to retire short-term bank indebtedness and to provide working capital. As a result of this financing and the improved cash flow, working capital at year-end increased to \$306,792.

It is worth noting that the Balance Sheet does not reveal the current value of the Company's producing leases or its undeveloped properties. These items are carried at cost or book value and bear little relation to fair market value which substantially exceeds book value.



Drilling near Port Elizabeth, South Africa.



SYRACUSE OILS LIMITED and its subsidiary companies

CONSOLIDATED BALANCE SHEET May 31st, 1969 (with 1968 figures for comparison)

ASSETS		<u>1969</u>	<u>1968</u>
CURRENT ASSETS:			
Cash in Banks		\$ 240,027	\$ —
Accounts Receivable		336,510	262,271
Performance Deposits		134,420	21,011
Inventory of Oil and Supplies valued at the lower of cost or replacement cost		48,476	57,538
Prepaid and Deferred Charges		12,133	21,120
		<u>771,566</u>	<u>361,940</u>
INVESTMENTS IN OTHER COMPANIES (Note 1) . . .		<u>286,697</u>	<u>265,000</u>
FIXED ASSETS:			
Real Estate, Machinery and Equipment, at cost		1,152,890	1,024,083
Less Accumulated Depreciation (Note 2)		423,158	350,769
		<u>729,732</u>	<u>673,314</u>
INVESTMENTS IN PETROLEUM AND OTHER PROPERTIES, at cost (Note 3)		3,323,280	2,606,813
Less Accumulated Amortization (Note 4)		204,846	149,196
		<u>3,118,434</u>	<u>2,457,617</u>
UNAMORTIZED DEBENTURE COSTS (Note 5) . . .		<u>63,293</u>	<u>—</u>
Approved on behalf of the Board:			
J. RICHARD HARRIS, Director			
JAMES S. PALMER, Director			
		<u>\$4,969,722</u>	<u>\$3,757,871</u>

AUDITORS' REPORT

To the Shareholders of
Syracuse Oils Limited

We have examined the consolidated balance sheet of Syracuse Oils Limited and its subsidiary companies as at May 31st, 1969 and the consolidated statements of income, retained earnings and source and application of funds for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

LIABILITIES

	<u>1969</u>	<u>1968</u>
CURRENT LIABILITIES:		
Bank Overdraft (secured)	\$ —	\$ 133,600
Bank Loan Installments (secured)	91,300	48,000
Accounts Payable	332,749	628,508
Accrued Interest on Debentures (Note 6)	40,725	—
	<u>464,774</u>	<u>810,108</u>
 CUSTOMER'S DEPOSIT ON FUTURE GAS DELIVERY	 <u>94,373</u>	 <u>—</u>
 DEFERRED LIABILITIES:		
Bank Loans, secured by a general assignment under Section 82 of the Bank Act	400,000	749,000
7½ % Convertible Subordinated Sinking Fund Debentures due January 15th, 1989 (Notes 7 and 8)	1,656,000	—
Less Bank Loan Installments	2,056,000	749,000
due within one year	91,300	48,000
	<u>1,964,700</u>	<u>701,000</u>
 CAPITAL: (Notes 8 and 9)		
Authorized — 10,000,000 common shares of no par value		
Issued — 5,298,353 common shares	2,112,823	1,943,827
— (5,164,641 common shares at May 31st, 1968)		
 RETAINED EARNINGS	 <u>333,052</u>	 <u>302,936</u>
	<u>\$4,969,722</u>	<u>\$3,757,871</u>

In our opinion the attached consolidated balance sheet and statements of income, retained earnings and source and application of funds, supplemented by the notes appended thereto, present fairly the financial position of the Company and its subsidiary companies as at May 31st, 1969 and the results of their operations and the source and application of their funds for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Calgary, Alberta,
September 8th, 1969.

CAMPBELL, SHARP, NASH & FIELD
Chartered Accountants.

SYRACUSE OILS LIMITED and its subsidiary companies

CONSOLIDATED STATEMENT OF INCOME

for the year ended May 31st, 1969 (with 1968 figures for comparison)

	<u>1969</u>	<u>1968</u>
Net Oil Sales after Royalties	\$135,023	\$147,909
Net Gas Sales after Royalties	360,045	74,309
Royalty Income	279	11
Interest and Discounts Earned	4,993	751
Sundry Revenue	16,816	25,829
Profit on Sale of Fixed Assets	25,534	9,761
Profit on Sale of Petroleum Properties	32,539	3,040
Pipeline Revenue	976	15,435
Profit on Sale of Investments	22,352	—
	<u>598,557</u>	<u>277,045</u>
Less: Well Operating and Field Expenses	159,614	119,262
Administration Expenses (Note 10)	176,560	104,221
Interest and Exchange	58,636	18,341
Debenture Interest (Note 6)	40,725	—
Debenture Costs Amortization (Note 5)	4,871	—
	<u>440,406</u>	<u>241,824</u>
Net Revenues before provision for depreciation and development amortization	158,151	35,221
Less: Provision for Depreciation (Note 2)	72,385	31,642
Provision for Development Amortization (Note 4)	55,650	20,054
	<u>128,035</u>	<u>51,696</u>
Net Income (Loss) for the year	<u><u>\$ 30,116</u></u>	<u><u>(\$ 16,475)</u></u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

for the year ended May 31st, 1969 (with 1968 figures for comparison)

	<u>1969</u>	<u>1968</u>
Balance, June 1st	\$302,936	\$319,411
Net Income (Loss) For The Year	30,116	(16,475)
	<u><u>\$333,052</u></u>	<u><u>\$302,936</u></u>

SYRACUSE OILS LIMITED and its subsidiary companies

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended May 31st, 1969 (with 1968 figures for comparison)

FUNDS PROVIDED:

	<u>1969</u>	<u>1968</u>
Net Revenues for the year before providing for depreciation and development amortization	\$ 158,151	\$ 35,221
Customer's Deposit on Future Gas Delivery	94,373	—
Long Term Bank Loans	—	599,000
Issue of 7½ % Convertible Sinking Fund Debentures	1,750,000	—
Issue of Common Shares	168,996	15,000
Sale of Shares in Woodford Oil and Gas Ltd.	5,000	—
Sale of Petroleum and Natural Gas Leases, Options and Interests	36,146	2,364
Sale of Fixed Assets	5,894	5,488
	<u>2,218,560</u>	<u>657,073</u>

FUNDS APPLIED:

Capital Expenditures on Wells	638,984	487,544
Acquisition of Petroleum and Natural Gas Leases, Options, Interests and Mining Properties	113,628	59,478
Acquisition of Fixed Assets	134,699	507,985
Investment in Shares:		
Woodford Oil and Gas Ltd.	—	15,000
H. M. Pan Ocean — Syracuse Oil South Africa (Proprietary) Limited	1	—
Oceanica Petroli Italiana S.p.A.	1	—
Advances to Syracuse Oils Norge A/S	18,840	—
Advances to Woodford Oil and Gas Ltd.	7,855	—
Payments on Long Term Bank Loans	392,300	—
Conversion of 7½ % Sinking Fund Debentures into Common Shares	94,000	—
Debenture Issue Costs	63,293	—
	<u>1,463,601</u>	<u>1,070,007</u>
Increase (Decrease) In Working Capital	<u>\$ 754,959</u>	<u>(\$ 412,934)</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

May 31st, 1969

1. Investment in Other Companies

	1969		1968
	Shares, at Cost	Advances	Shares, at Cost
Syracuse Oils Norge A/S	\$250,000	\$18,840	\$250,000
Woodford Oil and Gas Ltd.	10,000	7,855	15,000
H. M. Pan Ocean — Syracuse Oil South Africa (Proprietary) Limited	1	—	—
Oceanica Petroli Italiana S.p.A.	1	—	—
	<u>\$260,002</u>	<u>\$26,695</u>	<u>\$265,000</u>

Subsequent to the year end the Company sold 200 of its 500 shares of Syracuse Oils Norge A/S for \$161,000. This resulted in a profit on sale of investments of \$61,000 and reduced the Company's interest in Syracuse Oils Norge A/S to 15% of the issued Class B capital stock.

2. Depreciation

Machinery and equipment are depreciated at rates calculated to write off the costs over periods not exceeding the useful life of the assets.

3. Investments in Petroleum and Other Properties

	1969	1968
Productive Wells	\$1,515,579	\$1,156,151
Unproductive Wells	996,996	717,439
Petroleum and Natural Gas Leases, Options and Interests . . .	449,026	382,271
Gross Overriding Royalties	326,977	326,977
Mining Properties	34,702	23,975
	<u>\$3,323,280</u>	<u>\$2,606,813</u>

The gross overriding royalties consist of those existing at the time of amalgamation of Syracuse Oils Limited and Sage Oil Company Limited that were carried on the books at a nominal value of \$19, and those purchased from Letsan Oils Limited for \$105,790. These royalties have been subsequently revalued at \$326,977.

4. Development Amortization

Provision has been made for the amortization of the drilling and development costs of the wells at the rate of fifteen cents per barrel of oil sold and one cent per thousand feet of gas sold.

5. Unamortized Debenture Costs

These costs are being written off over the term of the debenture, with appropriate adjustments for those debentures which are converted or redeemed.

6. Accrued Interest on Debentures

Subsequent to the current fiscal year end, the Company paid \$54,300 interest to the debenture holders and the portion of this payment applicable to the period January 16th, 1969 to May 31st, 1969 has been accrued in the accounts.

7. 7½% Convertible Subordinated Sinking Fund Debentures

These debentures are convertible by the holders into common shares as follows:

- (a) On or before January 15th, 1971 — \$1.75 per share
- (b) From January 16th, 1971 to January 15th, 1976 — \$2.50 per share.
- (c) From January 16th, 1976 to January 15th, 1981 — \$5.00 per share.

These debentures are redeemable by the Company together with accrued interest as follows:

- (a) On or before January 16th, 1970 — 107.5%.
- (b) Thereafter the redemption amount is reduced by 0.5% per year until January 15th, 1984.
- (c) On or after January 16th, 1985 — 100.0%.

Because of elections made under provisions relating to the debenture conversion options the Company will not be required to make sinking fund payments at a date earlier than January 1974.

8. Capital Stock Issued

Under outstanding stock options the Company issued the following shares during the year:

- (a) 20,000 shares to an employee for cash, at \$0.75 per share.
- (b) 20,000 shares to an officer for cash, at \$1.00 per share.
- (c) 40,000 shares to a director for cash, at \$1.00 per share.

Under the terms of the debenture issue, 53,712 shares were issued through the conversion of debentures totalling \$94,000, based on a share value of \$1.75 per share.

9. Unissued Capital Stock

Of the 5,298,353 unissued shares at May 31st, 1969, the following stock options are outstanding:

- (a) At \$0.75 per share, valid until November 1st, 1971, for 60,000 shares to an employee exercisable at $\frac{1}{3}$ per year, non-cumulative.
- (b) At \$1.00 per share, valid until November 2nd, 1972, for 80,000 shares to an officer exercisable at $\frac{1}{4}$ per year, non-cumulative.
- (c) At \$1.00 per share, valid until November 2nd, 1972, for 60,000 shares to a director exercisable at $\frac{1}{3}$ per year, non-cumulative.

On July 28th, 1969 the Company entered into an agreement with a group headed by the Jenney Manufacturing Company of Boston, U.S.A. whereby the group agreed to subscribe for 128,928 shares of the common stock of the Company at \$5.50 per share. In addition this group was granted warrants to purchase three shares for each four shares purchased at a price of \$8.50 per share. These warrants have a term of five years. The agreement is subject to the approval of all requisite regulatory bodies.

10. Executive Remuneration

Remuneration paid to directors and officers during the year amounted to \$34,417.

11. Income Taxes

For income tax purposes the Company is entitled to claim drilling, exploration and lease acquisition costs and capital cost allowances in amounts which may exceed the related depletion and depreciation provisions reflected in its accounts, and as a result of claiming excess drilling, exploration and lease acquisition costs for the current fiscal period no income taxes are payable. The Company does not believe that it is appropriate to provide for income taxes deferred as a result of claims for drilling, exploration and lease acquisition costs because, based on a continuous exploration policy, no material amounts of income taxes will be payable in the foreseeable future. While the accounting policy of the Company conforms with general practise in the oil and gas industry and is accepted by accounting authorities outside Canada, it differs from the tax allocation basis of accounting recommended by The Accounting and Auditing Research Committee of The Canadian Institute of Chartered Accountants, effective for fiscal years commencing on or after January 1st, 1968.

FIVE YEAR STATISTICAL RECORD

	1969	1968	1967	1966	1965
FINANCIAL					
Net crude oil sales after royalty	\$ 135,023	147,909	167,356	194,020	204,684
Net natural gas sales after royalty	\$ 360,045	74,309	33,413	34,857	23,792
Sundry income	\$ 22,088	26,591	12,055	14,479	19,981
Profit on sale of fixed assets	\$ 25,534	9,761	15,293	419	6,053
Profit on sale of properties	\$ 32,539	3,040	25,842	12,375	—
Pipeline revenue	\$ 976	15,345	6,299	3,197	—
Profit on sale of investments	\$ 22,352	—	—	—	—
GROSS INCOME	\$ 598,557	277,045	260,258	259,347	254,510
Operating expenses	\$ 159,614	119,262	116,532	121,123	111,191
Administrative expenses	\$ 176,560	104,221	83,934	48,899	33,887
Interest and exchange expenses	\$ 99,361	18,341	9,580	8,468	5,067
CASH FLOW	\$ 158,151	35,221	50,212	80,857	104,365
Depreciation	\$ 72,385	31,642	28,068	31,285	30,170
Development amortization	\$ 55,650	20,054	16,152	18,551	17,307
NET PROFIT (loss)	\$ 30,116	(16,475)	5,992	31,021	56,888
Working capital (deficit)	\$ 306,792	(448,168)	(35,234)	(20,152)	117
Long-term debt	\$ 1,656,000	—	—	—	—
Bank loans	\$ 400,000	749,000	211,000	137,000	128,000
Number of shares outstanding at year-end	5,298,353	5,164,641	5,144,641	4,490,686	3,990,686
Shareholders' equity	\$ 2,445,875	2,246,762	2,248,238	1,928,868	1,647,846
OPERATING					
Oil sales, net after royalty (bbls)	53,169	55,651	63,684	74,138	77,037
Average oil price (\$/bbl)	2.54	2.66	2.63	2.62	2.66
Gas sales, net after royalty (Mcf)	3,995,564	866,805	398,571	500,269	313,763
Average gas price (¢/Mcf)	9.01	8.57	8.38	6.97	7.58
Oil reserves, net after royalty (bbls)	1,934,000	777,800	386,600	426,100	450,400
Gas reserves, net after royalty (MMcf)	59,500	48,900	41,300	41,500	40,000
Gross working interest lands (acres)	66,324,678*	7,855,042*	752,873*	668,037*	105,820
Net working interest lands (acres)	10,217,206*	917,031*	177,818*	173,456*	57,684
Gross royalty interest lands (acres)	1,365,547	1,415,467	1,520,426	9,840	9,840
Net royalty interest lands (acres)	129,533	133,249	140,953	970	970
Gross oil wells	39	37	38	36	34
Net oil wells	22.20	20.09	22.61	24.36	25.37
Gross gas wells	46	35	26	25	16
Net gas wells	26.82	12.09	15.51	15.47	13.17
Number of employees	17	11	7	6	6
EXPLORATION					
Drilling and land acquisition expenditures	\$ 716,466	544,658	155,985	110,674	116,363
Exploratory wells drilled (gross)	13	8	3	6	8
Exploratory oil wells completed (gross)	1	0	0	0	0
Exploratory gas wells completed (gross)	5	0	1	6	2
Exploratory wells drilled (net)	4.13	1.70	0.75	1.77	1.75
Exploratory oil wells completed (net)	0.25	0	0	0	0
Exploratory gas wells completed (net)	2.00	0	0.25	1.77	0.63
Development wells drilled (gross)	10	11	1	11	0
Development oil wells completed (gross)	3	3	0	2	0
Development gas wells completed (gross)	4	6	1	3	0
Development wells drilled (net)	5.50	9.43	0.13	1.71	0
Development oil wells completed (net)	1.69	1.43	0	0.25	0
Development gas wells completed (net)	2.38	6.00	0.13	0.38	0

* Includes Company's interest in acreage owned by affiliated companies.



ANNUAL GENERAL MEETING 1969

INFORMATION CIRCULAR

1. Solicitation of Proxies

THE ENCLOSED PROXY IS SOLICITED BY AND ON BEHALF OF THE MANAGEMENT OF THE COMPANY. The expenses in connection with this solicitation of proxies will be borne by the Company. Solicitation will be by mail or by regular employees of the Company.

2. Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are directors and officers of the Company. **The shareholder has the right to appoint a person to represent him at the meeting other than the persons designated in the enclosed form of proxy.** Such right may be exercised by striking out the names and addresses of the persons named in the enclosed form of proxy and inserting the name and address of the shareholder's nominee in the space provided, or by completing another proper form of proxy and, in either case, delivering the proxy to the Secretary of the Company, c/o Josolyne, Miles, & Cassleton Elliott, Chartered Accountants, 301 Cranbrook Road, Gants Hill, Ilford, Essex, not less than twenty-four hours before the time fixed for the meeting. Any person or company giving such proxy has the power to revoke it and may do so either by signing another proper form of proxy bearing a later date, or by signing written notice of revocation and, in either case, delivering the proxy or notice of revocation to the Secretary of the Company prior to the holding of the meeting.

3. Voting of Shares Represented by Management Proxies

The shares represented by any proxy received by the Management will be voted, and where the person or company whose proxy is solicited specifies in the form of proxy a choice with respect to any matter identified therein, the shares shall, subject to Section 128g of The Companies Act (Alberta) be voted in accordance with the specifications so made. In the absence of the specification of a choice by such means, it is intended to vote the shares represented by the proxy for the approval and adoption of the financial statements for year ended May 31st, 1969 and the Reports of Directors and Auditors thereon.

It is also intended that the shares represented by proxies received by the Management shall be voted for the election of the Directors and for the appointment of the auditors set forth under the headings in this proxy statement and Information Circular.

It is further intended that the shares represented by proxies received by the Management shall be voted for the enactment of the resolutions at the Extraordinary General Meeting of the shareholders which are enclosed herewith.

The proxy further confers discretionary authority with respect to amendments or variations to matters identified in the Notice of Meeting or other matters which may properly come before the meeting.

4. Voting Shares

The Company has only one class of shares. There are at the date hereof 5,489,204 common shares without nominal or par value issued and outstanding. Shareholders are entitled to one vote for each share held.

ONLY SHAREHOLDERS OF THE COMPANY OF RECORD AT THE CLOSE OF BUSINESS ON WEDNESDAY, THE 15th DAY OF OCTOBER, A.D. 1969 WILL BE ENTITLED TO VOTE AT THE MEETING.

5. Election of Directors

By virtue of the Articles of Association of the Company the Directors however appointed or elected shall retire from office at each Annual General Meeting. The following are presently Directors of the Company and all are nominees for election as Directors at the meeting. The persons named in the enclosed form of proxy intend to vote for the election of the nominees whose names are set forth below.

Name	Present Principal Occupation	No. of Shares beneficially owned
J. Richard Harris, Calgary, Alberta President and General Manager of Syracuse Oils Limited	President and General Manager of Syracuse Oils Limited	50,000
Arthur Pollard, Les Marronniers, Grouville, Jersey, Channel Islands, England. Vice President, Syracuse Oils Limited	Independent refinery construction Engineer - semi-retired	55,000
James S. Palmer, Calgary, Alberta Secretary-Treasurer, Syracuse Oils Limited	Partner - Burnet, Duckworth, Palmer, Tomblin, O'Donoghue, Beattie & Haigh, Calgary, Alberta, Barristers and Solicitors	112,350
Geoffrey Kohn, Park Chase, Henley-in-Arden, Warwickshire, England	Stockbroker, Miller and Kendrick, Rutland House, Edmunds, Birmingham, England	70,000
Angus A. Mackenzie The White House, London Road, Sunningdale, Berkshire, England	President of Sunningdale Oils Limited	311,800
Thatcher L. Townsend, Winston-Salem, North Carolina, U.S.A.	Vice President of Wachovia Bank & Trust Company N.A., Winston-Salem, North Carolina, U.S.A. for more than five years.	1,710

6. Remuneration of Management

The aggregate direct remuneration paid or payable by the Company and its subsidiaries whose financial statements are consolidated with those of the Company to the Directors and senior officers of the Company during the Company's last completed financial year is \$34,416.72.

7. Interest of Management and Others in Material Transactions

Sunningdale Oils Limited, a company owned by Angus A. Mackenzie, one of your directors, owns certain undivided interests in permits, leases and reservations in which Syracuse Oils Limited also holds an undivided interest. Listed below are such permits, leases and reservations together with the undivided interest held by Sunningdale Oils Limited.

Area	Acreage	Undivided Interest
Banks Island	511,210	30%
McClure Strait	275,812	30%
Greely Fjord	89,835	30%
Foxe Basin	427,608	30%
Hudson Bay	693,712	30%
Gulf of St. Lawrence	150,092	30%
Prince of Wales Island	500,760	30%
East Grand Banks	747,397	25%
Hudson Strait	491,026	25%
Calling Lake Area, Alberta	34,080	23.4375%
Calling Lake Area, Alberta	4,480	31.25%
Maldive Islands	over 1,000,000	14.5%

8. Options Exercised

Fourth Quarter 1968 - 20,000 at .75¢ per share.

The price range for the shares on the Calgary Stock Exchange for the thirty days immediately preceding the date of purchase was \$1.50 to \$1.75 per share.

Fourth Quarter 1968 - 40,000 at \$1.00 per share.

The price range for the shares on the Calgary Stock Exchange for the thirty days immediately preceding the date of purchase was \$1.55 to \$2.00 per share.

Second Quarter 1969 - 20,000 shares at \$1.00 per share.

The price range for the shares on the Calgary Stock Exchange for the thirty days immediately preceding the date of purchase was \$4.05 to \$4.60 per share.

9. Appointment of Auditor

It is the intention to vote the proxies to appoint the firm of Campbell, Sharp, Nash & Field, Chartered Accountants, Calgary, Alberta, to serve as auditor of the Company for the ensuing year. Campbell, Sharp, Nash & Field, or their predecessor firm Nash & Nash, have been auditor of Syracuse Oils Limited and its predecessor companies for over five years.

DATED as of the 19th day of September, A.D. 1969.

By Order of the Board of Directors
JAMES S. PALMER,
Secretary

SYRACUSE OILS LIMITED

**635 BENTALL BUILDING
CALGARY 2, ALBERTA**

SPECIAL RESOLUTION OF SHAREHOLDERS OF SYRACUSE OILS LIMITED

BE IT RESOLVED as a Special Resolution of the Company that Article 43 of the Articles of Association of the Company shall be amended to read as follows:

“43. No business shall be transacted at a General Meeting unless a quorum is present at the time the meeting proceeds to business. Save as herein otherwise provided, two members personally present and representing in person or by proxy not less than 10% of the issued capital of the Company entitling the holders to vote shall be a quorum. For the purpose of reckoning a quorum a representative of a company shall be counted as a member.”

RESOLUTION OF SHAREHOLDERS OF SYRACUSE OILS LIMITED

BE IT RESOLVED as a Resolution of the Company that the Company is hereby authorized to borrow money for the purpose of carrying out the objects of its incorporation; to hypothecate, pledge or mortgage its real and personal property; to issue debentures secured by mortgage or otherwise; to sign bills, notes, contracts and other evidences of or securities for money borrowed or to be borrowed for the purposes aforesaid; and to pledge debentures as security for temporary loans.

The Directors of the Company are hereby authorized and empowered from time to time to exercise all or any of the foregoing powers on behalf of the Company in such a manner and subject to such regulations and restrictions as they may see fit.

AR31



**INTERIM REPORT
TO
SHAREHOLDERS**



SIX MONTHS ENDED

November 30, 1970

FIRST HALF

PRINTED IN CANADA BY
PHOENIX PRESS CO. LTD.
CALGARY 3, ALBERTA

REPORT OF DIRECTORS

This report for the six months ended November 30, 1970, covers the activity of the Company during the first half of the 1971 fiscal year. In addition, comparisons are presented for the six months ended November 30, 1969.

Corporate

On September 16, 1970, the Company called its outstanding $7\frac{1}{2}$ percent convertible debentures. By October 31, 1970, all of these debentures had been converted to Syracuse common shares at the conversion price of \$1.75 per share.

A significant corporate development occurred on November 26, 1970, when the directors of the Company together with the directors of Bow Valley Industries Ltd. announced that they had jointly approved in principle the amalgamation of both companies on the basis that one share of Bow Valley equals five shares of Syracuse.

Bow Valley is a Calgary-based natural resource service and exploration company with acreage holdings in the Canadian Arctic, the three western Provinces, Hudson Bay and off the Canadian East Coast. Sales in the fiscal year ended May 31, 1970, were \$44,100,000 with cash flow of \$5,200,000 and net income of \$2,400,000. Bow Valley has 3,272,878 common shares outstanding and is listed on the Toronto, Winnipeg, Calgary and American Stock Exchanges.

This proposed amalgamation is subject to the approval of the shareholders of both companies, approval of the appropriate regulatory authorities and normal legal and accounting verifications. In this regard, the date of the Special Meeting of shareholders will probably be in March 1971 and formal notification of this meeting together with prospectus material on both companies, necessary proxy material and information circular will be mailed very soon.

Financial

Increasing oil sales from the Hamilton Lake waterflood project together with a non-recurring

profit of \$138,000 realized in the Company's land trading account in Alberta resulted in a gross revenue of \$498,000 during the first six months, which was considerably higher than revenue of \$366,000 realized during the same period one year earlier. Cash flow similarly increased to \$152,000 as compared to \$47,000 last year resulting in a net profit of \$39,000 compared with a net loss of \$40,000 for the same period last year.

As a result of certain options exercised and conversion of the remainder of the Company's convertible debentures, the common stock outstanding at November 30, 1970, amounted to 6,493,184 shares as compared to 5,702,699 shares on November 30, 1969.

Production

Net oil production continued to increase during the second quarter of the 1971 fiscal year. Total net production for the first six months of 276 bbls/day after royalties was 85 percent higher than the 149 bbls/day produced during the same period last year. Most of this increase came from the Hamilton Lake field.

Net gas production of 10,104 Mcf/day after deducting royalties was 9 percent lower than the 11,126 Mcf/day produced during the same six-month period one year earlier. As indicated in the last interim report of the Company, this decrease resulted from routine maintenance shutdowns during the first quarter at the Great Canadian Oil Sands plant, the Company's principal industrial customer. Net gas production during the second quarter of this fiscal year rose 34 percent above net production during the first quarter.

Converting gas production to equivalent barrels of oil based on price, total net production for the first six months amounted to 674 bbls/day, a 23 percent increase over the 547 bbls/day produced during the same period one year ago.

Land

The only acquisition of overseas acreage during the second quarter of the 1971 fiscal year occurred

in Holland where Syracuse was awarded offshore concession Q/14 in the Dutch sector of the North Sea immediately adjacent to Block Q/11 on which the Company drilled a well one year ago that encountered gas shows. The Company will have approximately a 10 percent interest in this new block.

Domestically, the only significant change to the Company's land holdings occurred in October when it acquired a 10 percent interest in approximately 1,600,000 acres in the Canadian Arctic on Axel Heiberg Island and at the same time relinquished its offshore Arctic acreage after reviewing all of the recent geological and geophysical data gathered in this area by Polarquest.

The land acquisitions and dispositions mentioned above did not have any appreciable effect on Syracuse's overall land portfolio. Gross and net working interest acres remained relatively unchanged at 73,000,000 acres and 10,000,000 acres, respectively. Royalty interest landholdings increased to 77,600 net royalty acres, equivalent to an average 1.26 percent royalty on approximately 946,100 gross royalty acres. The increase came through the acquisition of a small royalty on certain blocks in the Italian Adriatic Sea.

Exploration

In Canada, the Company commenced its 10-well exploratory winter drilling program in October and November with the drilling of two wells in the Lac La Biche and Craigend areas of Alberta. Both of these wells have since been completed as successful gas wells.

Overseas, two further wells, the Nanaga NA 1/70 and the Colchester CO 1/70, were drilled and abandoned in the Port Elizabeth area of South Africa. This brings to 10 the total number of exploratory and stratigraphic wells drilled in this area since 1968. Through certain farmout arrangements with Soekor, Syracuse's interest in these recent wells has been reduced to approximately 2½ percent. These wells have been drilled at no cost to the Company.

Marine seismic surveys were completed during the second quarter on the Company's acreage

located in the Arabian Gulf off the coast of Abu Dhabi and on its two offshore blocks located in the U.K. sector of the North Sea. Interpretation of this data is expected by early February 1971 which will hopefully enable Syracuse and its partners to select well locations to be drilled later in the year. In order to keep the Company's shareholders apprised of drilling activity in the vicinity of its Abu Dhabi acreage, a map has been enclosed with this report showing three recently announced well locations, ADOC's Block A test, ADMA's Ghasa No. 1 test and ADMA's Raazoot No. 3 test which are all very close to the Company's large offshore block located in this area.

Recent Developments

1. As part of the Company's winter drilling program, a third well was drilled in the Ashmont area in December 1970. This well has been abandoned. A fourth well was spudded at Lottie Lake in northeastern Alberta in early January 1971.
2. Syracuse has recently received notification that formal awarding of Block 25/4 located in the Norwegian sector of the North Sea will be made in the very near future. This block is approximately 25 miles northwest of the Esso 25/8-1 oil discovery and approximately 90 miles northeast of the significant oil discovery recently made by the BP 21/10-1 in the U.K. sector of the North Sea. Syracuse will have a 20 percent interest in this block.
3. Effective December 15, 1970, the Company received wellhead price increases averaging 25 cents per barrel on all Alberta crude oil production. At Hamilton Lake, the wellhead prices were effectively increased by a further 7 cents per barrel through pipeline tariff reductions as of January 1, 1971.

On behalf of the Board of Directors,

J. RICHARD HARRIS,
President

Calgary, Alberta
January 29, 1971

CONSOLIDATED BALANCE SHEET

November 30, 1970 and 1969

Subject to Year-End Audit

	1970	1969
CURRENT ASSETS		
Cash	\$ 52,355	\$ 127,703
Deposits in foreign banks	44,018	145,936
Marketable securities	450	—
Accounts receivable	341,566	607,830
Other current assets	88,795	155,558
	<u>527,184</u>	<u>1,037,027</u>
Investment in other companies	330,747	284,144
Investment in petroleum and other properties	5,783,573	4,150,266
Less depletion	290,184	234,571
	<u>5,493,389</u>	<u>3,915,695</u>
FIXED ASSETS		
Real estate, machinery, equip	1,253,749	1,196,641
Less depreciation ..	550,406	462,930
	<u>703,343</u>	<u>733,711</u>
Unamortized debenture costs	—	46,335
Incorporation expenses	22,737	—
	<u>\$7,077,400</u>	<u>\$6,016,912</u>
CURRENT LIABILITIES		
Bank loan	\$ 309,600	\$ 124,800
Accounts payable	489,331	706,971
	<u>798,931</u>	<u>831,771</u>
DEFERRED LIABILITIES		
Bank loan	1,150,129	331,600
7½% conv. subord. debentures	—	1,244,000
Deposits on future gas deliveries	350,091	62,216
	<u>1,500,220</u>	<u>1,637,816</u>
CAPITAL		
Issued	4,690,942	3,253,908
RETAINED EARNINGS ..	87,307	293,417
	<u>\$7,077,400</u>	<u>\$6,016,912</u>

CONSOLIDATED STATEMENT OF INCOME

Six Months Ended November 30, 1970 and 1969

Subject to Year-End Audit

	1970	1969 *	Percent Change
INCOME			
Net oil and gas revenue	\$ 296,643	\$ 277,805	
Profit on sale of assets	3,117	10,958	
Profit on sale of investments	—	61,000	
Profit on sale of leases	179,615	—	
Other income	18,660	16,616	
	<u>498,035</u>	<u>366,379</u>	<u>+36</u>
EXPENSES			
Lease operating	118,430	103,283	
General	161,919	146,951	
Debenture interest ..	8,981	34,931	
Interest and exchange	56,417	34,330	
	<u>345,747</u>	<u>319,495</u>	<u>+8</u>
CASH FLOW	<u>152,288</u>	<u>46,884</u>	<u>+226</u>
Depreciation	41,850	39,836	
Depletion	33,036	29,725	
Debenture costs	34,749	16,958	
Other	3,457	—	
	<u>113,092</u>	<u>86,519</u>	<u>+31</u>
NET PROFIT (Loss) ...	\$ 39,196	\$ (39,635)	—
Shares outstanding ..	6,493,184	5,702,699	+14

* 1969 unaudited figures previously reported have been adjusted due to 1970 audit.